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OF COUNSEL TO
MUNGER CHADWICK, P.L.C.

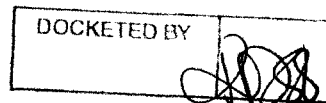
ADMITTED TO PRACTICE IN:
ARIZONA, COLORADO, MONTANA,
NEVADA, TEXAS, WYOMING,
DISTRICT OF COLOMBIA

November 16, 2010

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

NOV 17 2010



Re: Pineview Water Company, Inc.
Docket No. W-01676A-10-0400

To Whom It May Concern:

Enclosed for filing on behalf of Pineview Water Company, Inc. in the above-referenced proceeding are fourteen (14) copies of a partial response to the November 3, 2010 Insufficiency Letter. The original of this letter and attachments was mailed to Vicki Wallace, Executive Consultant of the ACC's Utilities Division.

Also enclosed are two (2) additional copies of the letter. I would appreciate it if you would "filed" stamp the same and return them to me in the enclosed stamped and addressed envelope. Thank you for your assistance. Please advise me if you have any questions.

Sincerely,

Angela R. Trujillo

Secretary

Lawrence V. Robertson, Jr.

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November 16, 2010

Vicki Wallace, Executive Consultant
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Re: Pineview Water Company, Inc. – Application for the Sale and Transfer of Water System Assets and for the Cancellation of the Certificate of Convenience and Necessity (“CC&N”) for Water Services – Docket No. W-01676A-10-0400

Response to November 3, 2010 Insufficiency Letter

Dear Ms. Wallace:

The information set forth below and in the attached documents is intended to be responsive to the above-referenced Insufficiency Letter in the above-referenced docketed proceedings. The information request contained in the aforesaid Insufficiency Letter are indicated below with bold font, and the response(s) to each such request immediately follow the same.

- 1. Provide a complete listing of the Company’s assets that are to be sold to the City of Show Low (“City”).**

Response: This information will be provided with a separate transmittal letter.

- 2. Provide documentation establishing the utility’s financial condition, including at least the utility’s current assets and liabilities, and income statement, the utility’s revenue and expenses for the most recently completed 12-month accounting period, and the value of the utility’s utility plant in service.**

Response: This information will be provided with a separate transmittal letter.

3. Provide the legal name, physical address, mailing address (if different), and the telephone number of the City.

Response: City of Show Low
181 N 9th Street
Show Low, AZ 85901
928-532-4000

4. Describe the City's prior experience in owning and operating a water company.

Response: The City of Show Low provides water services to approximately 4,600 water accounts. The City has operated as a water provider since shortly after incorporation in 1953. The City employs 146 FTE employees and has 11.5 FTE employees dedicated to the water utility. The City of Show Low Water Utility includes \$20.7 million of assets as of June 30, 2010. The annual budget of the City's system for the current Fiscal Year is \$2.2 million.

5. Describe the organizational structure of the City and provide the name and contact information for those individuals that will be primarily responsible for managing and operating Pineview.

Response: The City of Show Low is a council-manager form of government. The City Manager is appointed directly by a seven member City Council, which is elected to four-year staggered terms. The Public Works Director is directly responsible for the operations of the water department, which is established as an enterprise fund and must run as a self-supporting business. The Finance Director is responsible for all billing and financial matters of the water department.

As an enterprise fund the budget of the water department is established independent of the rest of the City of Show Low budget. An overhead amount is charged to the utility fund by the city to cover costs of operations that are not directly charged to the utility including the city manager, finance department, insurance, legal fees, etc...

Contact Information: The address and phone number of the following individuals is the same as that provided in Item No. 3 above.

Ed Muder, City Manager
Bill Kopp, Public Works Director
Doug Sandstrom, Finance Director

6. Provide the name and ADEQ certification number of the person who will be the certified operator of the water system upon the completion of the sale.

Response: The following is a complete list of City of Show Low employees that have ADEQ operator numbers and certificates. The level and expiration date of active certifications is listed. The water utility will be under the City's Public Works Director with direct oversight provided by Courtney Carpenter, Ken Wilcock and Teryl Murray.

Employee Name	Employee Department	ADEQ Operator #	Water Distribution Level	Water Treatment Level	Expiration Date
Richard Aceves	Water	OP030464	2	1	5/31/2011
Matt Armijo	Sewer	OP009464	3		5/31/2011
John Barwicki	Environmental	OP011105	3	4	11/30/2012
Mike Basinger	Roads	OP031163	1		4/30/2012
Sammy Birdsong	Roads	OP020195	3	1	3/31/2012
Michael Boyce	Roads	OP030772			
Courtney Carpenter	Water	OP009457	4	2	10/31/2013
Mark Cobal	Construction	OP008708	3	1	5/31/2012
Terry Cooper	Construction	OP031486	1	1	3/31/2013
Marion Daniel	Environmental	OP020918	2	1	5/31/2012
James Dovey	Water/Sewer	OP020786	4	3	3/31/2012
Ryan Hall	Roads	OP020794	3		6/30/2012
Donald Higginbotham	Construction	OP021287	2		3/31/2012
Derek Hill	Water	OP010428	4	2	4/30/2011
Kris Laetzsch	Construction	OP030485	2	2	2/28/2011
James Lewis	Roads	OP021977	3	3	12/31/2010
Philip Meyers	Sewer	OP011547	3		3/31/2012
Teryl Murray	Roads	OP009301	2	3	7/31/2012
David Schroeder	Roads	OP031162			
Patrick Shaffery	Water	OP025704	2	2	11/30/2012
Gary Treu	Water	OP020790			
Jason Weems	Roads	OP023242	1	1	3/31/2012
Ken Wilcock	Environmental	OP011564	4	4	10/31/2011
Mike Mariscal	Facilities/Maintenance	OP020787	2	1	3/31/2012
Brian Heuett	Facilities/Maintenance	OP020792	2	2	3/31/2012

7. Describe the effect of the proposed transaction upon the service of the applicant and any benefits that will be realized by customers if the proposed sale is approved. Although some of this information is provided throughout the application, please identify in a single numbered section.

Response: The acquisition of the Pineview water company will have a positive impact on the current customers of Pineview and on the current customers of the City of Show Low water system. It is the City's intent to cross-connect these systems into one system which will increase the overall quality and quantity of water available to all residents. Due to economies of scale it is also anticipated that this purchase will lead to increased operational efficiencies. Savings from these decreased costs will be put right back into system improvements or used for rate stabilization.

8. Describe in what respect, if any, the proposed transaction will have on any other utility, municipality, district, etc.

Response: See response to Item No. 7 above.

9. Describe any change to the operation and maintenance of the system that will occur if the proposed sale is approved.

Response: See response to Item No. 7 above.

10 The Application mentions the financial ability of the City to make the upgrades necessary. List the anticipated additional upgrades needed to the water system and estimated cost if available. If such information is not available, please explain.

Response: Anticipated improvements and upgrades, along with preliminary estimated costs to the system are as follows:

<u>Name</u>	<u>Description</u>	<u>Estimated Cost</u>
Scotts Pine Meadow*	System replacement	\$1,100,000
Pressure Reducing Valves	Installation of Multiple PRV's (the actual number and timing of PRV's will be determined after acquisition)	\$125,000
Cross-Connection	Connections to the City of Show Low System and elimination of known bottlenecks	\$125,000
<u>LONGER TERM IMPROVEMENTS</u>		
8-inch PVC	Upgrading existing 2 and 4-inch lines to 8-inch lines	\$1,624,000
Wells	Development of 3-wells	\$1,200,000
Total		\$4,174,000

The longer term improvements included above will be completed as part of the City's annual Capital Improvement Program (CIP). The Water department CIP is funded through user fees, grants, bonds and development impact fees as appropriate.

***Note:** In connection with the Scotts Pine Meadow system, attached hereto as Appendix "A" and incorporated herein by this reference is a copy of a November 3, 2010 letter to Scotts Pines residents announcing a November 16, 2010 Community Meeting on this subject.

Ms. Vicki Wallace
November 16, 2010
Page 5 of 5

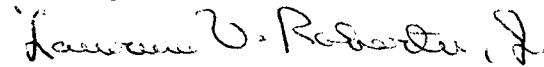
11. Provide the method by which the proposed transaction will be financed.

Response: The acquisition of, and immediate improvements to, the Pineview water company will be financed through a loan from the Arizona Water Infrastructure Authority. The City of Show Low Council has already adopted Resolution R2010-44 authorizing the submittal of a loan application in an amount not to exceed \$4.8 million. The acquisition of the Pineview water company has been included as a fundable project in the 2011 Drinking Water Revolving Fund Project Priority List (DW 039-2011) and the Project Finance Application process has begun.

Debt Service payments for this loan will be paid for out of the water utility fund and shared among all water customers.

I trust that you will provide the above and attached information to be sufficiently responsive to the information request set forth in the November 3, 2010 Insufficiency Letter. Please let me know if you have any questions regarding any of the same.

Sincerely,



Lawrence V. Robertson, Jr.

cc: Docket Control
Marlin Scott
Barbara Wells
Lyn Farmer
Pineview Water Company, Inc.
City of Show Low, Arizona

Appendix “A”



TETRA TECH

November 03, 2010

Reference: Scott's Pines Meadow Water Infrastructure Upgrade

Dear Neighbor:

As a member of the Scott's Pines Meadow community, you may be aware that the existing drinking water infrastructure in the area is very old. This water system was put into service in 1955 and was annexed into the Pineview Water Company franchise area in 1975. Since 1975, Pineview Water Company has performed extensive maintenance and repair of the system. Much of the pipe in the area of Scott's Pines Meadows is asbestos cement pipe (ACP) and is also small diameter pipe. The age of the pipe, coupled with the size of the pipe (3" to 4" pipe), limits the quantity and quality of water that can be delivered. In addition, due to the type, size and age of the pipe any movement of the pipe or a sudden increase in pressure can result in a leak.

The Water Company has received financing to re-design the water system in this area. You are probably also aware that the majority of these water lines are located in easements in the backyards of the homes which make it difficult to access for the Water Company, and is an inconvenience for the home owners. We, as the engineering company for the Water Company, have come up with two (2) options on the installation location for the re-design of the water system. Option 1 would be to install the new water lines out in the street right-of-way and eliminate the use of the lines in the backyards. Option 2 would be to re-install the waterlines in the backyard easements as they are now, if acceptable to ADEQ. Other options may be available as well.

Because there is a lot involved with this type of project, we have scheduled a community meeting that will take place on Tuesday - November 16, 2010 at 7:00 pm. The meeting will be held at the Lakeside Fire Department building located at 2922 W. White Mountain Boulevard, Lakeside, Arizona. The purpose of this meeting will be to give a general overview of the project, discuss the options that have been presented, and answer any questions that we can. This meeting should provide an opportunity to get valuable information from you, as a member of the community, to aid in the design of the project. It should be kept in mind that the details of the design are not known at this time. First the general location of the lines needs to be finalized, and then the details of the design can be determined. Having said this, we hope to be able to answer any questions you may have at this meeting.

Sincerely,

Will Flake, P.E.
Project Manager

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Tetra Tech, Inc.
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